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Printed for the use of the Foreign Office. April 1917.

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(10826.)

CLOSED UNTIL 1967

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Further Correspondence respecting the Suez Canal.

PART IV.

[109075] No. 1.

British Suez Canal Directors to Sir Edward Grey.—(Received June 6.)

(No 7. Commercial.)

Sir, *Paris, June* 5, 1916.

WE have the honour to report that the accounts of the Suez Canal Company for the year 1915 were approved by the Finance Committee on the 22nd May. They were submitted to and accepted by the council on the same date, and were adopted by the shareholders at the annual general meeting held here this day.

In comparing the receipts of 1914 and 1915 it must be borne in mind that, in the former year, it was only during the last five months that a state of war existed, whereas in 1915, the service was carried on under war conditions throughout the entire year.

It is only by reason of the very large sum of 18,703,560 fr. 42 c., carried forward from the accounts of 1914, that it has been possible to make a distribution of dividend equivalent to that of last year; while it is satisfactory to report that a sum of 11,453,488 fr. 35 c. is again to be carried forward to the next account.

We append a table, in the usual form, showing the results of the last three years working, with a comparison of the years 1914 and 1915.

The tonnage passing through the Canal in 1915 amounted to 15,266,155 tons, as compared with 19,409,495 tons in 1914, a diminution of 4,143,340 tons, or 21 per cent.

We may remind you that, after consultation with His Majesty's Government and with the shipowners, the council last November decided to increase the tariff of transit by 50 c., thus reverting to the rate that had obtained before the last reduction, viz., 6 fr. 75 c per ton. It has been resolved at to-day's meeting to impose a further increase of 50 c., thus bringing the rate of tariff up to 7 fr. 25 c. The first increase took effect on the 1st April of this year, while the second will come into force on the 5th October next.

The gross receipts for the year 1915 amounted to 98,228,098 fr. 87 c., being a decrease of 26,893,138 fr. 67 c., as compared with the previous year. The total expenditure in 1915 was 29,029,968 fr. 36 c. To this must be added the customary provision for depreciation of 3,000,000 fr., which leaves a net balance of 54,317,815 fr. 26 c., being less by 25,982,020 fr. 51 c. than that of 1914.

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Receipts.

An examination in detail of the receipts gives the following results :—

1. *Financial Operations.* — The receipts under this head amounted to 2,660,065 fr. 70 c., an increase of 959,094 fr. 12 c. This increase is due in part to the higher rate of interest received from the investment of the reserves of the company, and, in part, to the profit derived from the transmission of funds from Egypt and from England into France.

2. *Domaine commun.*—The revenue accruing to the company from this property amounted in 1915 to 81,033 fr. 92 c., an increase of 6,715 fr. 12 c. The amounts derived from the leases of building sites was less than in 1914, while that from sales was higher.

3. *Transit and Navigation.*—The total receipts under this head amounted to 93,957,467 fr. 82 c., as compared with 122,139,714 fr. 37 c. in 1914, a diminution of 28,182,246 fr. 55 c.

4. *Domaine particulier.*—The receipts were 198,226 fr. 02 c., a decrease of 13,882 fr. 35 c. as compared with 1914. The year previous these receipts has shown an increase of 16,771 fr. This decrease is not surprising. During a state of war the development of the Isthmus of Suez must naturally be seriously if not entirely checked.

5. *Waterworks.*—For many years the policy of the company in the matter of its water arrangements and plant has been a far-seeing one; consequently, when the unprecedented demands made on it by the increased military occupation of Egypt had to be met, the resources at the disposal of the authorities were amply sufficient. The amount of the receipts from the several waterworks in the three towns of the Isthmus are set out in the accounts and summarised in our table. They show an aggregate increase of 219,992 fr. 85 c. This gain has been, of course, to some extent counter-balanced by the enhanced cost of working—as will be seen below; but apart from the increased cost of fuel there has been but little rise in the cost of the running expenses, and a substantial profit for the year has accrued to the company.

6. *Maintenance.*—The receipts under this head are as a rule insignificant; but during last year there was an increase of 117,143 fr. 66 c., the result of operations in connection with the defences of the Canal.

7. *Outstanding Accounts.*—There is a sum in this account of 44 fr. 48 c. This calls for no notice.

Expenditure.

As a set off against the serious diminution of the gross receipts, a reduction in the expenditure by 910,706 fr. 41 c. has been effected. The total for 1915 was 29,029,968 fr. 36 c., as compared with 29,940,674 fr. 77 c. in 1914. There have been increases in the sections of loan service, transit, and water supply; but there have been decreases in the four other heads of expenditure, namely, general administration, domaine commun, domaine particulier, and maintenance.

A considerable portion of the plant of the company was placed, at the commencement of hostilities, at the disposal of the naval and military authorities. Grateful acknowledgment of the help thus given has been made upon more than one occasion.

We will now compare the results in the several services:—

1. *Loan Services.*—The total expenditure in 1915 was 16,405,981 fr. 56 c., as compared with 16,152,453 fr. 65 c. in 1914, an increase of 253,527 fr. 91 c.

2. *Central Administration.*—The total expenditure for 1915 of 2,321,869 fr. 87 c. shows a decrease of 283,038 fr. 18 c. as compared with that of 1914. Of this saving nearly the whole has been effected in France in the shape of headquarter salaries and administrative expenses, "frais de mission," and similar charges. The diminution shown in these items amounts to 281,644 fr. 86 c.

3. *Domaine commun.*—The cost of administering this department amounted 1915 to 183,349 fr. 78 c., as compared with 234,442 fr. 78 c. in the previous year; t in decrease is 51,093 fr., the half of which, 25,546 fr. 50 c., represents the saving to the company.

4. *Transit and Navigation.*—The marked increase in the charges of this section of the accounts has been referred to already. It is almost entirely attributable to the rise in the price of fuel and materials. As a sufficient illustration it may be mentioned that, for the whole consumption of coal required by the company in 1914, amounting to 59,000 tons, a sum of 2,104,000 fr. was paid, whereas in 1915 a consumption of 63,157 tons represented an expenditure of 4,221,000 fr.

5. *Domaine particulier.*—There is a saving in the administration of this property amounting to 100,602 fr. 28 c.

6. *Waterworks.*—The expenses in salaries, wages, and working of these establishments in the three towns are set out in tabular form in the accounts. We have already alluded to the largely increased receipts due to the military occupation of Egypt. The increase shown in the accounts amounts to 69,141 fr. 55 c., which is more than justified by the increase in the receipts which amounted to 219,992 fr. 85 c.

7. *Maintenance.*—The charge upon revenue for maintenance in 1915 was 4,371,636 fr. 79 c., as compared with a sum of 5,630,090 fr. 55 c. in 1914. This means a saving of no less than 1,258,453 fr. 76 c. The cessation of certain works, the postponement of others, together with a policy of rigid economy generally were the causes of this saving. The transfer of the workshops of the company to the Asiatic Bank of the Canal has been deferred. The prolongation of the West Jetty has been suspended, and only those works essential to the safe and smooth working of the traffic have been put in hand.

In addition to the expenditure shown as we have said under revenue account there has been further capital expenditure on improvements amounting to 7,429,691 fr. 39 c. If to this sum be added those charged to Capital Account in respect of head office charges, depreciation of plant, and the cost of the new issue of 5 per cent. bonds, the increase of the original capital cost of the enterprise amounts in 1915 to 11,005,238 fr. 80 c., bringing the total up to 702,544,062 fr. 56 c., or, in round numbers, twenty-eight millions sterling.

To summarise: the balance of receipts over expenditure for the year 1915 amounts to 54,317,815 fr. 26 c., as compared with that of 80,299,835 fr. 77 c. for 1914. Bringing into this account the entire sum of 18,705,560 fr. carried forward specially from the last account, the same rate of dividend can again be paid, namely, 120 fr. net per share, including the statutory interest of 5 per cent. The sum necessary to pay the dividend at the above rate is 61,567,887 fr. 33 c., and 11,453,488 fr. 35 c. is to be carried forward to the next account.

The usual provision for depreciation, amounting to 3,000,000 fr., has been made.

The net balance of 61,567,887 fr. 33 c. is to be distributed as follows, according to the statutes of the company (article 63):—

	Francs.
71 per cent. to the shareholders	43,713,200·00
15 per cent. to the Egyptian Government	9,325,183·10
10 per cent. to the founders	6,156,788·73
2 per cent. to the directors	1,231,357·75
2 per cent. to the employés	1,231,357·75
Total	61,567,887·33

We have, &c.
(For the Government directors),
H. AUSTIN LEE.

Enclosure in No. 1.

STATEMENT showing the Receipts and Expenditure of the Suez Canal Company for the Years 1913, 1914, and 1915, with a Comparison of the Years 1914 and 1915.

Receipts.	1913.	1914.	1915.	Comparison of 1914 and 1915. Increase.	Comparison of 1914 and 1915. Decrease.
	Fr. c.	Fr. c.	Fr. c.	Fr. c.	Fr. c.
1. Financial operations	2,091,496 04	1,760,971 58	2,660,065 70	939,094 12	
2. Domaine commun ..	89,763 24	74,318 80	81,033 92	6,715 12	
3. Transit and Navigation ..	126,681,123 69	122,139,714 37	93,937,467 82	..	28,182,246 55
4. Domaine particulier ..	195,337 07	212,108 37	198,226 02	..	13,882 35
5. Waterworks	818,364 26	958,747 90	1,178,740 75	219,982 85	
6. Maintenance receipts ..	49,862 70	35,376 52	152,520 18	117,143 66	
7. Outstanding accounts ..	..	..	44 48	44 48	
Total	129,925,949 00	125,121,237 54	98,228,098 87	..	26,893,138 67
Net excess of receipts over expenditure ..		80,299,835 77	54,317,816 26	..	25,982,020 51

Expenditure.	1913.	1914.	1915.	Comparison of 1914 and 1915. Increase.	Comparison of 1914 and 1915. Decrease.
	Fr. c.	Fr. c.	Fr. c.	Fr. c.	Fr. c.
1. Loan services	15,562,668 86	16,152,453 65	16,405,981 56	253,527 91	
2. Central Administration ..	2,365,364 90	2,604,908 05	2,321,869 87	..	283,038 18
3. Domaine commun ..	159,377 30	117,221 39	91,674 89	..	25,546 50
4. Transit and Navigation ..	4,026,606 18	4,104,449 58	4,538,714 43	434,264 85	
5. Domaine particulier ..	704,418 89	583,016 23	482,413 95	..	100,602 24
6. Waterworks	680,765 11	748,585 32	817,676 87	69,141 55	
7. Maintenance	7,601,301 24	5,630,090 55	4,371,636 79	..	1,258,453 76
8. Outstanding accounts ..	63 03				
Total	31,100,565 51	29,940,674 77	29,029,968 36	..	910,706 41
Insurance—Accidents ..	..				
Depreciation	3,000,000 00	3,000,000 00	3,000,000 00		
Interest and Sinking Fund of Bonds and Capital	11,880,514 25	11,880,727 00	11,880,315 25	..	311 75
Total	45,981,079 76	44,821,401 77	43,910,283 61	..	911,018 16

[128515] No. 2.

British Suez Canal Directors to Sir Edward Grey.—(Received July 3.)

(No. 11.)

Sir, *Paris, June* 29, 1916.

WE have the honour to transmit to you herewith a copy of a letter addressed to the Secretary of the Treasury by Sir Henry Austin Lee, resident director in Paris, with regard to the sums due for dividend and interest in respect of the Suez Canal shares, the property of His Majesty's Government.

We have, &c.
(For the Directors),
H. AUSTIN LEE.

Enclosure in No 2.

Sir H. Austin Lee to Treasury.

Sir, *Paris, June* 29, 1916.

IN accordance with the instructions laid down in the Treasury Minute of the 13th December, 1894, I have the honour to inform you that the balance of the dividend for 1915 due and payable on the 1st July next in respect of the 165,416 capital shares and 11,186 "actions de jouissance" of the Suez Canal Company held by His Majesty's Government will be 10,911,001 fr. 35 c. To this will be added the half year's interest on the capital shares only, at 12 fr. 50 c. per share, amounting to 2,067,700 fr.

The total sum receivable by His Majesty's Government will therefore be 12,978,701 fr. 35 c., made up as follows :—

	Fr.	c.
Balance of dividend for 1915 on 165,416 capital shares at 61,783 fr. ..	10,219,896	72
Balance of dividend for 1915 on 11,186, "actions de jouissance" at 61,783 fr...	691,104	63
Half year's interest on 165,416 capital shares at 12 fr. 50 c. ..	2,067,700	00
Total	12,978,701	35

This amount will be remitted to Messrs. Rothschild, of London, for payment to His Majesty's Government on the 1st July next, and I shall be glad to receive in due course, for transmission to the Suez Canal Company, the receipts in the form prescribed, which are herewith enclosed for your signature.

I have, &c.
H. AUSTIN LEE.

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